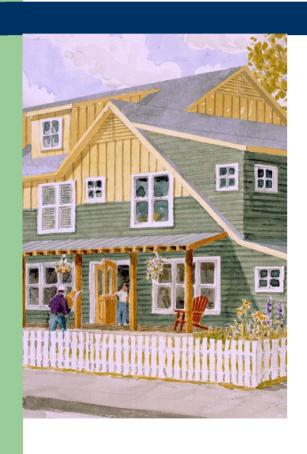
### **HOME House Project**



# What's it Worth? Sustainability

### **Katie Updike**

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#### Intro...

- Affordable Housing is Easy when there is a strong economic base
  - Gary vs. Aspen
  - Disinvestment model vs. Investment Model (Federal Subsidies

vs. Enlightened Self-Interest)

 Making projects ECONOMICALLY sustainable



### **Disinvestment Models**

### "Gap" Oriented

- Tax Credits
- Section 8 Certificates
- HOME \$\$
- CDBG



### **Investment Models**

#### **Incentive Oriented**

- "Rent to Own"
- Shared Equity
- Mutual Housing/Cooperative Models
- Self-help housing
- El Paso's Smart Water Policies for Xeriscape, Washers, Toilets, etc.



## Investment vs. Disinvestment Subsidies

#### Investment Models

- Sustainable
- Market Driven
- Oriented toward "root causes" (e.g., jobs)

#### Disinvestment Models

- Dependent on Federal "largesse"
- Unsustainable (e.g., maturing Section 8)
- Need Dependent
- Unintended consequences



### Sustainability as an Investment

- Energy Efficiency
  - R-Values
  - Passive and Active Solar
  - High Efficiency Boilers
- Water Conservancy
- Location
  - Access to Public Transportation
  - Proximity to Work, School, Shopping
  - Use of installed public infrastructure



## Monthly Budget Analysis – A Hypothetical Drill

Sustainable Decision	Monthly Savings	Mortgage Equivalency	% of Value
Energy Saving Decisions	\$100	\$16,600	30%
Xeriscape	\$50	\$8,400	15%
10 miles Closer to Work	\$176	\$27,500	55% Z

### An Extreme Example ....

### **ASPEN**



### **Economics of Sustainable Housing**

Key Elements	Stakeholder	Mortgage Value of the "commute"
Jobs	Employer	\$60,000
Public Services	Taxpayer/ Public Sector	\$20,000
Quality of Life/Auto- Commute Cost	Household/ Individual	\$100,000



## **Employer's Monthly Cost of One Hour Commute**

Transportation Subsidy	Indirect or Direct (Guestimate) Extra Pay or Direct Subsidy	\$240
Increased Absenteeism	1/2 day per month @ \$10/hour	\$40
Increased Turn-over/Burnout	Training Costs @ \$3,000/year Assumes new employee every two years	\$125

Tardiness due to weather

Distractions due to family issues

Total of Monetary Costs Only \$405

\$60,000

Mortgage Value at 7%

## **Employee's Monthly Cost of One-Hour Commute**

Automobile	\$.34/mile for 22 days; 35 miles each way IRS deduction for gas, depreciation, & maintenance	\$525
Loss of Pay	\$5.00/hour for half of the commute time (loss of pay would be higher if overtime available)	\$110
Time Away from Family, Friends, and Community	\$2.00/hour average for additional help needed (e.g., daycare, chores, eating out, etc.)	\$88
Risk of Accident on Road	Undetermined cost	
Extra Car	All studies show that there are more cars per household the further away work is	
	Total of Monetary Costs Only	\$723
	Mortgage Value at 7%	\$100,000

## Public's Monthly Cost of One-Hour Commute

#### Assumes 1 extra car per 2 employees for commute

Cost of Additional Accidents	\$425 per vehicle is a mid-range estimate quoted in studies across US as annual cost	\$18
Additional Air Pollution and/or Clean Air Act Compliance Issues	\$120 per vehicle per year	\$5
Loss of Community Volunteers	Assume the loss of 2 hours per week at \$10/hour	\$80
Additional Road Maintenance	\$200 per vehicle per year estimate (Transit subsidies can be much higher, e.g. \$1/trip)	\$8
	Total of Monetary Costs Only	\$111
	Mortgage Value at 7%	\$17,000

### El Paso "Location" Proximity Calculation

Automobile	\$.375/mile for 22 days; 10 miles each way IRS deduction for gas, depreciation, & maintenance
Loss of Pay	\$5.00/hour for half of the commute time (loss of pay would be higher if overtime available)
Time Away from Family, Friends, and Community	\$2.00/hour average for additional help needed (e.g., daycare, chores, eating out, etc.)
Risk of Accident on Road	Undetermined cost
Extra Car	All studies show that there are more cars per household the further away work is
	Total of Monetary Costs Only
	Mortgage Value at 7%

(Multiple by 166)

### **Barriers to Good Economics**

- Perception of "Paternalism"
- Political Will
- NIMBY
- Inflexible Mortgage Underwriting Standards
- Local Municipal Codes
  - Minimum Lot Sizes
  - Maximum Units per Acre



### **Overcoming the Barriers**

- Location Efficient Mortgage
- Community Housing/Group of Employers
- Communication/ Get the Facts Out
- Review of Codes (thinking outside the box):
  - minimum density
  - smaller units



## Ideas for El Paso, Juarez, and Las Cruces



#### El Paso

- Education of home buyers AND bankers
- Central Business District Housing Incentives
- Accessory Dwelling Units
- Minimum Densities vs. Maximum Densities
- Impact Fees for Developments outside the Urban Growth Boundaries
- Others....



### **Juarez**

- Employer Sponsorship of Housing
- Improved Cross-Border Commuting
- Other?



#### Las Cruces

- Location Efficient Mortgage
- Transportation between El Paso and Las Cruces?
- Accessory Dwelling Units
- Urban Growth Boundary



## Affordable, Sustainable Housing .....An Investment Model

Stakeholder	Action	Upfront Value
Public Sector	Waiver of Tap Fees or Impact Fees	\$2-5000
	Fast Track	\$1000++
Home- owner/Resident	Location Efficient Mortgage	~\$16,600
VALUE TO HOUSING		\$19,000-22,000

### Questions?

### **Community Action Steps**

- What can we do to encourage "smarter growth"?
- What are solutions that could be unique to our region?
- Other Questions and Ideas?

